

Responsible Business Practice

We are committed to following world class standards of business integrity everywhere we operate.

Here we describe:

- Our Statement of Business Practice, *The Way We Work*, including our approach to Human Rights
- Our Undertakings to UK regulator Ofcom and the Code of Practice
- Our approach to regulatory compliance through our Regulatory Compliance report which also includes our third report from the Equality of Access Board, the body that monitors, reports on and advises BT on our compliance with the Undertakings and the Code of Practice
- Our approach to public policy, political donations and lobbying
- Our vision and values
- Our approach to embedding our values in [mergers and acquisitions](#).

Statement of Business Practice

Our Statement of Business Practice, [The Way We Work](#), defines our business principles that apply worldwide to all employees, agents, contractors and others representing BT. It sets out specific aspirations and commitments that guide our relations with our customers, employees, shareholders, partners, suppliers and local communities.

This section explains how we raise employee awareness of the Statement and the way in which it is implemented across the Group, including when we acquire new companies and expand our operations globally.

You can assess our performance against the specific principles, aspirations and commitments we make in the Statement, using this [index](#).

Awareness of Statement of Business Practice

We measure awareness of our Statement of Business Practice annually. In the 2008 financial year survey we found that 79% of employees were aware of the statement.

The Statement is translated into nine languages – Chinese (Mandarin), English, French, German, Hungarian, Italian, Japanese, Korean and Spanish. It is available on our intranet and is sent to all new employees. All new managers also receive a question-and-answer guide to help them brief their teams.

A briefing and copy of *The Way We Work* is included as part of the induction process for all new employees based outside the UK.

We reward good practice through our Business Practice Excellence award run with the UK's Institute of Business Ethics. Colleagues nominate employees who have met the highest ethical standards in their work.

Implementation of our Statement of Business Practice

It is critical that our Statement of Business Practice is implemented throughout the business. All BT's lines of business are required to comply with the Statement and each has a designated senior manager responsible for making this happen. This section explains how we implement our business principles when expanding our operations and our mechanisms for reporting cases of non-compliance.

Compliance systems

We operate a confidential telephone and email helpline which employees can use to get advice or to report suspected ethical breaches of our policies to the Head of Group Business Practice. The helpline is available 24 hours a day, seven days a week and meets the requirements of the US Sarbanes Oxley Act. During the 2008 financial year the Company Secretary wrote to all BT employees telling them about the helpline and encouraging its use.

CSR in our due diligence process

We are expanding our business globally including in countries where there is a higher-risk of unethical or corrupt practices occurring. We need to assess these risks before deciding whether to tender for new business or establish operations in new countries.

Our online tool, 'CSR Countries Risk website', gives BT employees information on the risks associated with doing business in over 150 countries around the world. It enables our sales teams to assess the risk of corruption, human rights issues and other unethical practices through a red, amber or green rating system. It includes an assessment of each country's performance on human rights issues and any reported human rights abuses. Questions on human rights risks are included in our due diligence process used when BT acquires new businesses.

Performance

Our Ethics Performance Measure (EPM) helps us assess how effectively we are implementing our Statement of Business Practice. It has three components:

- [Awareness of the Statement](#)
- An annual ethics benchmarking study that compares BT with other FTSE 100 companies
- An assessment of whether BT people behave in line with the Statement. We conduct an internal annual survey asking the question “Do BT people behave in line with BT’s code of ethics, The Way We Work?”

Our EPM score was 85% this year

We act against anyone abusing our business principles. During the 2008 financial year, 59 employees were dismissed for unethical behaviour. The following are examples are illustrative:

- A BT employee was dismissed for theft from Payphones
- A contractor has been removed from the BT contract following arrest on suspicion of arson attacks on BT premises

Telecommunications Strategic Review – Code of Practice

In the 2006 financial year, there were significant changes to the way telecommunications are regulated in the UK, following a Strategic Review of Telecommunications by the industry regulator, Ofcom.

Following this, BT volunteered legally-binding [Undertakings](#) to Ofcom, which are designed to focus regulation where it is needed and reduce it elsewhere. Ofcom accepted these Undertakings.

‘It Matters’, our [Code of Practice for BT people](#), sets out the rules employees must follow to comply with the Undertakings.

Importantly, this Code is part of our statement of business practice, ‘[The Way We Work](#)’, and is therefore part of BT’s corporate governance framework. The Code explains the rules in the Undertakings for:

- access to, and dissemination of, customer confidential information and commercial information
- restrictions on influencing commercial policy
- the different parts of BT Wholesale

and the disciplinary consequences of non-compliance .

The Code draws attention to BT’s confidential hotline telephone number and other ways to report concerns about our compliance with the Undertakings. The Code also mentions the role of BT’s Equality of Access Board and our commitment to give the Equality of Access Office reasonable access to any information it needs.

A programme of briefing and training ensures all relevant BT employees are aware of their responsibilities regarding compliance with the Undertakings.

Our mandatory regulatory compliance training for all employees covers compliance with the Undertakings and the Code of Practice.

The regulatory environment

We produced our fifth regulatory compliance report in the 2008 financial year.

Ofcom, the telecoms industry regulator, confirmed a new regulatory settlement in September 2005. The settlement was agreed after the acceptance of legally-binding Undertakings by BT. Our [Regulatory Compliance report](#) is available as a PDF download. A distinct part of the Regulatory Compliance report is the annual report of the Equality of Access Board, the body which monitors, reports on and advises BT on our compliance with the Undertakings and Code of Practice. This report is available [here](#).

All areas of our approach to regulations and regulatory compliance can be found on our [Group Regulatory Information](#) pages.

Public Policy

We meet regularly with governments and regulators to discuss issues and legislation that affect our business. Our public policy and lobbying activities are becoming more global as we grow our business outside the UK.

We aim to be open and transparent about our public policy activities. This section explains our approach, including:

- Our lobbying standards
- Our processes to ensure consistent lobbying across the company
- Our public policy activity during the 2008 financial year
- Our membership of trade associations and CSR organisations

Lobbying standards

We do not make any political donations. This policy extends to the US and includes donations to political parties,

individuals aligned with political parties and trade associations involved in politics or government. We do not operate any Political Action Committees.

The Company's continuing policy is that no company in the group shall make contributions in cash or kind (including loans) to any political party. Arrangements are in place to implement this policy. However, the definition of political donations used in the Companies Act 2006 is very much broader than the sense in which these words are ordinarily used. It covers activities such as making MPs and others in the political world aware of key industry issues and matters affecting the Company, which make an important contribution to their understanding of BT. These activities are carried out on an even-handed basis related broadly to the major political parties' electoral strength. During the 2008 financial year this expenditure amounted to £18,392

Keeping our lobbying consistent

It is important that we take a consistent approach in all our public policy work. Our Communications Council is made up of representatives from Group Communications, all lines of business and regulatory teams from across BT. It meets regularly to discuss public policy issues and ensure consistency across the Group. Positions on key public policy issues are referred to the Operating Committee for sign off.

We are members of trade associations and industry bodies around the world (listed below), who conduct public policy work on our behalf. We work to ensure that lobbying conducted through trade associations reflects our values. We work with other members to set policies, and we may attend lobbying meetings with governments and other stakeholders.

If a trade association adopts a policy position that we do not agree with, we will raise our concerns and dissociate ourselves from the position

The BT Story sets out our public policy positions (subject to issues of commercial confidentiality). It is publicly available [here](#) and is updated regularly.

Public policy activity during 2007 and 2008

Within the UK our top lobbying issues this year have been:

- BT's strategy of transformation – the growth of our new wave business, based on networked IT services, mobility and broadband
- BT in the global market – how BT is now delivering services to customers in more than 170 countries, with employees in over 50
- Broadband and Next Generation Access – almost 100% of homes in the UK now have access to broadband. The debate has now moved away from availability towards the type of services that can be delivered through quicker broadband speeds.
- Mobility and Convergence. BT has innovative new products – Fusion (the world's first phone service to offer the flexibility of a mobile and the quality and price of a landline) and Vision (our next generation television service). We also have 12 Wireless City networks around the UK.
- 21 century network (21 CN) – BT is investing billions in the telecommunications network in the UK to create an IP based network which will deliver services to customers faster and more efficiently.
- Security and privacy on the internet. We continue to offer state of the art protection to our customers and are working with industry and Government on a number of initiatives in this area.
- Climate change and the role BT can play as a major user of energy.
- The role of business in society, in the context of BT's social responsibility programme.

At a European level, our priorities have been:

- The European Communications Review which will set the framework for all future communications in the EU
- Open Markets and Trade. BT strongly believes in the enforcement of the single European Market and we take a strong stance against protectionism.
- Managing Trade Bodies. BT is an active member of a number of EU industry trade bodies.
- Content. Regulation of content is becoming an increasingly important issue for BT and our customers.
- Mobile and Spectrum. Mobile and spectrum regulation are key issues for the future of communications companies.

Within the US, our priorities in the last financial year have been:

- Foreign Investment Rules. The US Congress is considering legislation that would change the review process for foreign entities acquiring US companies. BT lobbies to ensure our ability to invest in the US market is not impaired.
- Competing in the US market. It is increasingly difficult for BT to compete against the US incumbent providers. BT lobbies the regulator, Congress and anti-trust bodies to ensure they understand the position of competitive carriers, like BT, in the market.

- Telecoms trade commitments. BT inputs comments into the United States Trade Representatives annual review of international telecommunications trade commitments. The report identifies countries that are not living up to their commitments.

Membership of trade associations and CSR organisations.

We are members of trade associations and industry bodies around the world. In the UK, examples include the [CBI](#), the Internet Service Providers Association (ISPA) and [Intellect](#). In the 2008 financial year our CEO, Ben Verwaayen has led the [CBI task force on Climate Change](#) culminating in a [report](#) in November 2007.

Within Europe we are members of the [European Telecommunications Network Operators](#) (ETNO); [European Competitive Telecommunications Association](#) (ECTA); [European Internet Foundation](#) (EIF) and [European American Business Council](#) (EABC).

In the US, we are members of the [United States Council for International Business](#) (USCIB); [Comptel](#); [Organisation for International Investment](#) (OFII); [VON Coalition](#) and the [European American Business Council](#) which operates in Washington and Brussels.

We are members of a number of organisations that look to influence public policy on corporate social responsibility and sustainable development. They include:

- [The World Economic Forum](#)
- [Employers Forum on Disability](#)
- [Business in the Community](#)
- [CSR Europe](#)
- [Forum for the Future](#)
- [Green Alliance](#)
- [Aldersgate Group](#)

We partner with others to exchange ideas and advance our sustainability goals. For example:

- We are signatories of the United Nations Global Compact, an international commitment to principles on bribery and corruption, human rights, labour and the environment.
- We support the Global Reporting Initiative in developing sustainability reporting guidelines.
- We contribute to multilateral dialogues for example, the Global e-Sustainability Initiative (GeSI), an ICT sector initiative promoting technology that fosters sustainable development.
- We work with the UK Centre for Economic and Environmental Development (UK CEED), an independent charitable organisation aiming to raise environmental standards through research and policy development, and participate in its SustainIT initiative.

BT's Vision and Values

Our Vision

Our vision is to be dedicated to helping our customers thrive in a changing world. Dedication to our customers is vital in a competitive market. By designing everything we do around our customers, we can help them succeed on their terms.

Our Values

The BT values capture the way we get things done. They are at the heart of every compelling customer experience.

Our values are:

Trustworthy: we do what we say we will

Helpful: we work as one team

Inspiring: we create new possibilities

Straightforward: we make things clear

Heart: we believe in what we do

We are committed to contributing positively to society and a sustainable future. This is part of the heart of BT.

Human Rights

This year is the 60th anniversary of the Universal Declaration of Human Rights. We base all relevant BT policies and procedures on the principles of the Declaration.

Our [Business Principles](#) include commitments to;

- treat all individuals fairly and impartially, without prejudice, and never tolerate harassment in any form and to

- Contribute to the well being of the societies in which we operate through our business activities and the skills of our people.

We are also a signatory to the UN Global Compact, which commits us to:

- supporting the protection of human rights within our sphere of influence
- ensuring that we are not complicit in human rights abuses.

We report on our progress and performance against the Global Compact principles - see [Global Compact Index](#).

BT has the potential to affect human rights through:

- Our employment practices
- Working conditions in our supply chain
- The countries where we operate
- The way our products and services are used by others (including issues around privacy and content standards for example).

This section describes our approach to human rights and provides links to information in other sections of our report.

Implementing human rights

Human rights is a broad subject that is relevant to BT in our dealings with employees, suppliers, communities, governments and customers.

We are in contact with expert groups and information sources that can help us implement our commitment to human dignity and improve our procedures. For example, we are a signatory to the UN's Global Compact, an initiative that strives to motivate business and industry around ten principles on corruption, environment, labour and human rights.

Employees

We protect the human rights of our employees by having strong policies, management systems and training on issues such as equal opportunities and diversity, and health and safety. Our policies apply to all BT employees in all countries where we operate.

All our employees have access to the Universal Declaration on our intranet. An outline of our approach to human rights is included in the guidance document accompanying our statement of business practice – The Way We Work. Within our global operations, a briefing on this statement is included in the induction programme for all new employees, including those from our recently acquired businesses.

See [Employees](#) for more information.

Supply chain

We want working conditions in our supply chain to meet the standards of the [Universal Declaration of Human Rights](#) and the [International Labour Organisation \(ILO\) Conventions](#). Find out about our Sourcing with Human Dignity initiative in [Suppliers](#).

Through the [Global e-Sustainability Initiative \(GeSI\)](#) we engage with ICT service providers and suppliers, and alliances focused on improving supply-chain working conditions, such as the Electronic Industry Code of Conduct (EICC).

Communities

We are expanding our business globally, sometimes into countries where the government does not respect human rights. We need to identify potential human rights risks and put the right processes in place to ensure we maintain our standards wherever we operate. Information on how BT is integrating human rights into our due diligence process is available in the [Business Principles](#) section of this report.

We want to make a positive difference to society and use communications technology to benefit communities around the world. The BT Better World Campaign helps young people develop the communications skills they need to succeed in life. For example, we are working with UNICEF to improve access to education and ICT technology in disadvantaged communities in South Africa (since 2007), Brazil (since 2008) and China (starting in 2009). We share their belief that every child has the right to a decent education in a safe environment that is free from discrimination, violence and exploitation. See more in [Community](#).

Customers and wider society

Freedom of expression

Access to information and communications technology (ICT) can help to promote freedom of expression and be a source of openness in otherwise closed societies. New technology also creates new challenges relating to free expression – for example misuse of the internet and protection of children. See more in [Customers](#).

Privacy

Advances in ICT technology mean personal data is captured, stored and transferred more frequently than ever before. BT holds customers' personal and financial data. Our servers and networks are a conduit for information controlled by others. We manage data for many of our public and private sector customers. This makes privacy

particularly relevant for us. We have robust standards on data protection but we need to keep these under continual review as new challenges emerge. See more in [Customers](#).

Statement of Business Practice - Key Performance Indicators

Indicator	Description	Measure	Target
Ethical Performance Measure	A measure of our progress in acting with integrity	85%	To increase to 86%.

Statement of Business Practice Targets

Start Date	End Date	Description	Update	Target Status
April 2008	March 2009	BT will increase its Ethical Performance Measure score to 86%		New

Human Rights - Key Performance Indicators

Indicator	Description	Measure	Target
Ethical Trading	A measure of the application of BT's supply chain human rights standard (See Note 6)	During the 2008 financial year there were 213 risk assessments with 100% follow up.	To achieve 100% follow up within three months for all suppliers identified as high or medium risk during the 2008 financial year.

Note 6: Risk assessments are based on completed questionnaires

Human Rights Targets

Start Date	End Date	Description	Update	Target Status
April 2008	March 2009	BT will increase its Ethical Performance Measure score to 86%		New
April 2008	March 2009	BT will maintain a top 10 placement in 4 of 5 major diversity benchmarks. 4 of these benchmarks will be UK based and the 5th a Global diversity benchmark		New
April 2008	March 2009	BT will incorporate the Sourcing with Human Dignity (SWHD) action plan into the BT sustainability plan		New
April 2008	March 2009	BT will develop a coach approach on labour standards and engage with 3 global suppliers and their supply chains		New
April 2007	March 2008	We will have no successful health and safety prosecutions or prohibition notices served against the company.	There were no successful prosecutions or notices during the year.	Completed
April 2007	March 2008	BT will achieve 100% follow up within 3 months for all suppliers identified as high or medium risk.	100% follow up was achieved with 213 risk assessments completed.	Completed

Implementing human rights - Key Performance Indicators

Indicator	Description	Measure	Target
Employee Engagement Index	A measure of the overall success of BT's relationship with its employees	The Employee Engagement Index was 5.04 during the 2008 financial year (see Note 3)	BT will maintain the 2007/08 level of employee engagement, 5.04, as measured by its annual employee attitude survey.
Diversity	A measure of the diversity of the BT workforce	BT is in the top 10 placement in 4 out of the 5 major diversity benchmarks (See Note 5).	BT will maintain a top 10 placement in 4 of 5 major diversity benchmarks. 4 of these benchmarks will be UK based and the 5th a global diversity benchmark.
Ethical Trading	A measure of the application of BT's supply chain human rights standard (See Note 6)	During the 2008 financial year there were 213 risk assessments with 100% follow up.	To achieve 100% follow up within three months for all suppliers identified as high or medium risk during the 2008 financial year.
Ethical Performance Measure	A measure of our progress in acting with integrity	85%	To increase to 86%.

Note 3: In 2007/08 the Employee Engagement Index was based on an average of the mean results across a reduced number (4) of key questions so a comparison with the 2007 score of 65 is not possible. Using the same calculation method the 2007 EEI was 5.07.

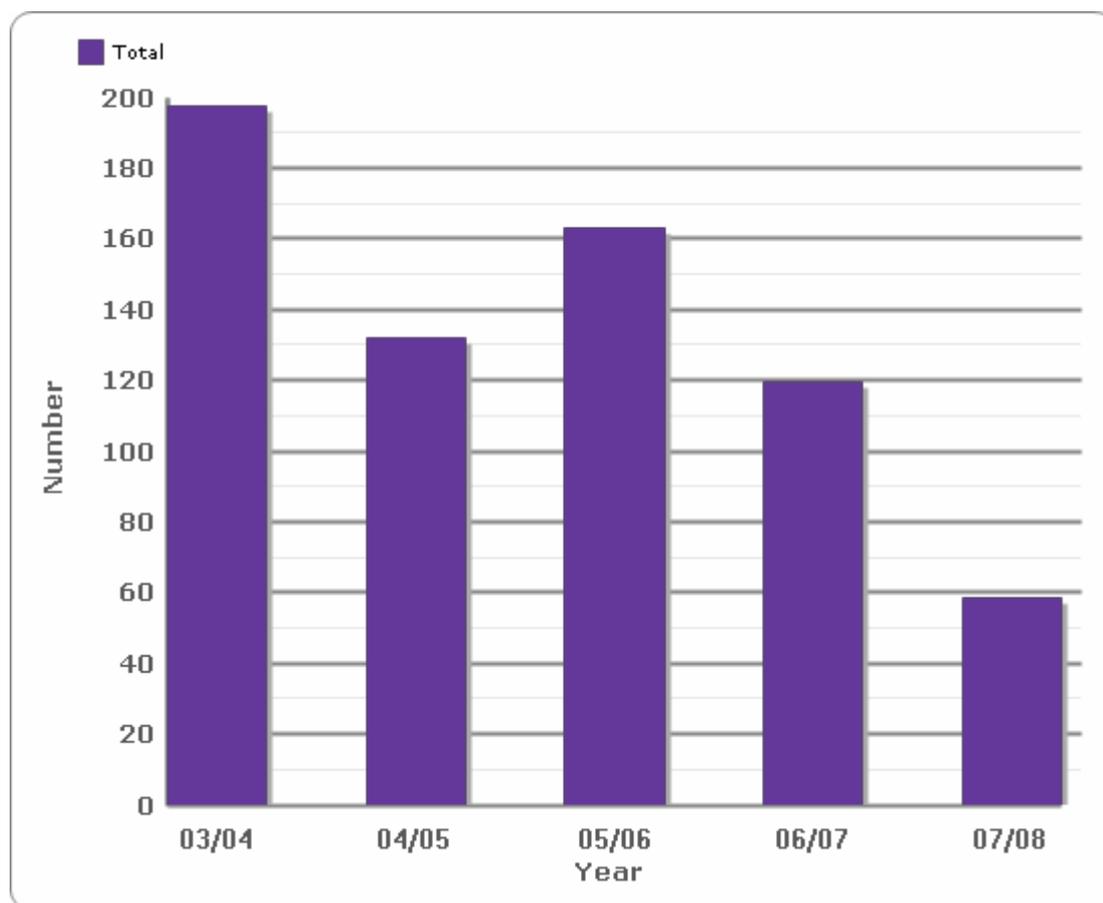
Note 5: This includes the Schneider Ross Global Diversity Network in fulfilment of the 2007 target.

Note 6: Risk assessments are based on completed questionnaires

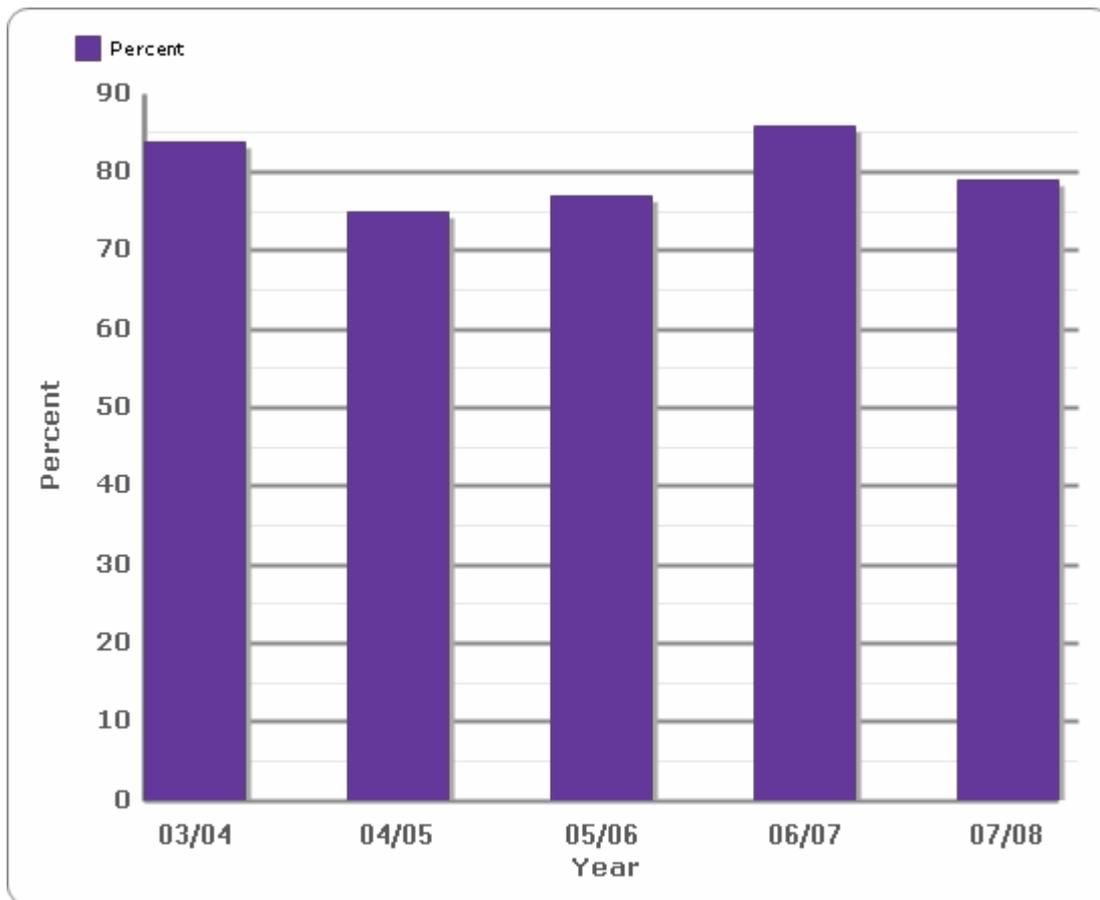
Implementing human rights Targets

Start Date	End Date	Description	Update	Target Status
April 2008	March 2009	BT will increase its Ethical Performance Measure score to 86%		New
April 2008	March 2009	BT will maintain a top 10 placement in 4 of 5 major diversity benchmarks. 4 of these benchmarks will be UK based and the 5th a Global diversity benchmark		New
April 2008	March 2009	BT will have no successful health and safety prosecutions or prohibition notices served against the company worldwide		New

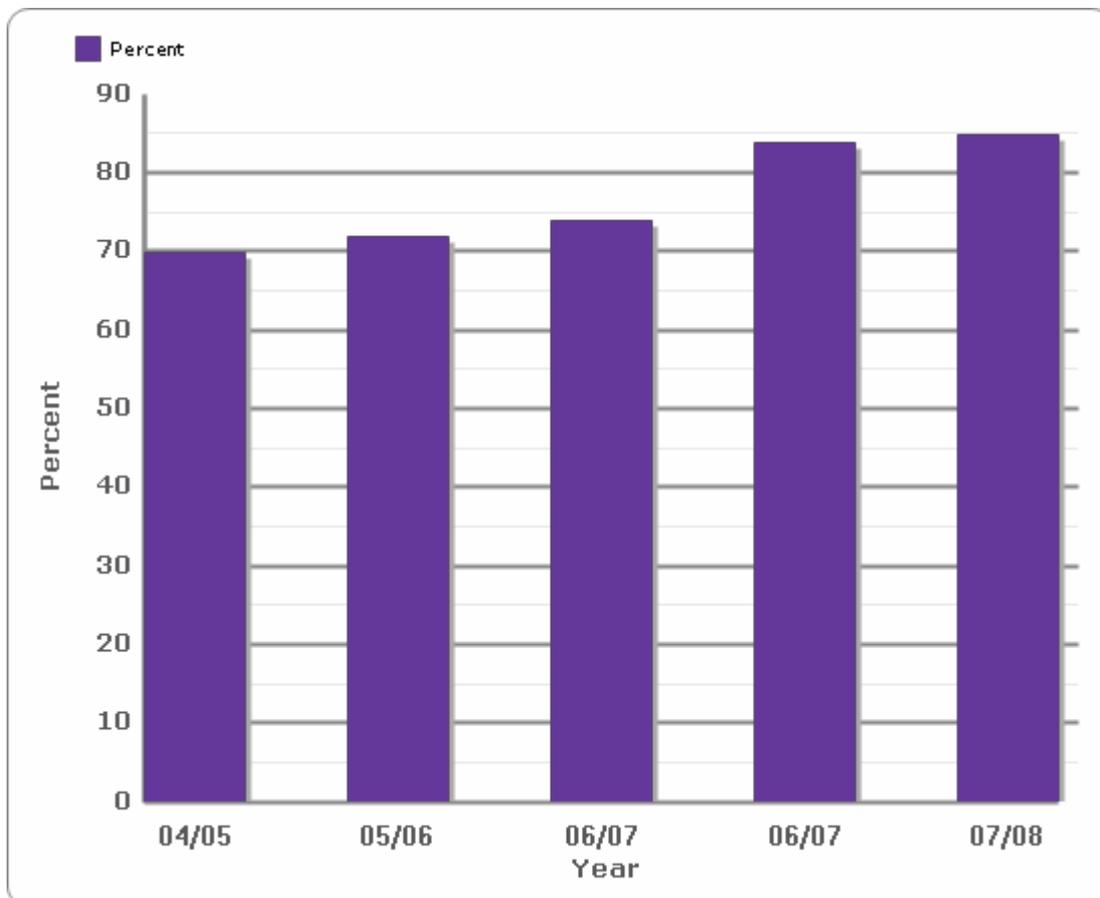
Dismissals for unethical practice



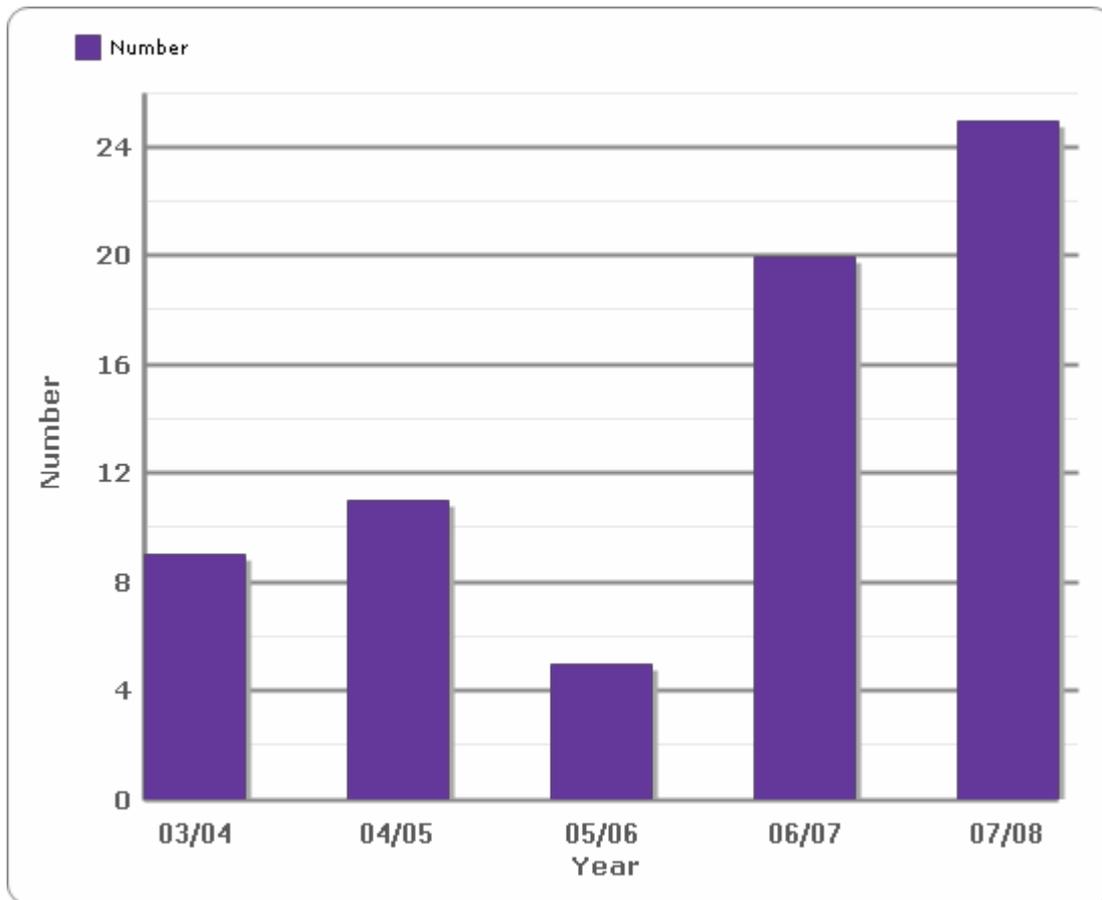
Awareness of Statement of Business Practice



Ethical Performance Measure



Number of SWHD on-site assessments



Number of SWHD risk assessment questionnaires (GS18) completed

